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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, AUGUST 9, 1999

APPLICATION OF

GTE SOUTH INCORPORATED
(Contel, Virginia)

CASE NO. PUC950010

Annual Informational Filing

ORDER PRESCRIBING NOTICE

On June 30, 1995, GTE South Incorporated (Contel, Virginia) (hereinafter "Contel" or "the Company") filed its 1994 Annual Informational Filing ("AIF"), pursuant to the Commission's Final Order of December 17, 1993, in Case No. PUC920029, which established the Modified Plan for Alternative Regulation of Virginia Local Exchange Telephone Companies ("Modified Plan").

On December 1, 1998, the Staff filed its Report concerning its compliance audit for the Company's Cost Allocation Manual ("CAM") and the associated AIF for 1994. On July 20, 1999, the Company filed its Motion to Declare Rates Not Subject to Refund and to Close Proceeding. Pursuant to said Motion, the Company and the Staff of the Commission agreed that this proceeding should be closed without the requirement of refunds and further agreed that in doing so, the Company should not be deemed to have conceded or waived its rights to continue to object to decisions made by the Commission in the Company's final rate

order, issued in Case No. PUC950019, and which affect the results of the Staff Report filed in this proceeding.¹

The Modified Plan, which became effective January 1, 1994, specifies the applicable return on equity range to be 10.55% to 12.55% (Paragraph 18) for 1994. The Staff's Report reflects a calculation for intrastate tariffed services' return on equity of 10.67%. This return on equity indicates that the Company's 1994 earnings were not in excess of those specified by the Modified Plan.

Pursuant to Paragraph 20 of the Modified Plan and the Company's Motion filed July 20, 1999, the Commission is of the opinion that notice and opportunity for a hearing should now be afforded to interested parties. Accordingly,

IT IS THEREFORE ORDERED THAT:

(1) Interested parties may file comments, requests for a hearing, or both, on or before September 15, 1999.

(2) If no sufficient request for hearing is received, a formal hearing with oral testimony may not be held and the Commission may make its decision based upon the papers filed in this proceeding.

¹ The Commission issued its Final Order in Case No. PUC950019 on April 27, 1999, and the Company filed its Notice of Appeal with the Commission on May 17, 1999.

(3) The Company shall publish notice of its 1994 AIF filing and the Staff Report thereon, on one occasion, in newspapers having general circulation throughout its Contel service territory. Such notice should be a display advertisement (not classified advertising) and should be completed on or before August 27, 1999. The form of the notice should be as follows:

NOTICE OF STATE CORPORATION COMMISSION
REVIEW OF EARNINGS OF GTE SOUTH
INCORPORATED (CONTEL, VIRGINIA) FOR CALENDAR YEAR
1994 AND DETERMINATION THAT RATES ARE
PERMANENT AND THUS NO LONGER SUBJECT
TO REFUND FOR THE YEAR 1994
CASE NO. PUC950010

GTE South Incorporated (Contel, Virginia) ("Contel") has filed its 1994 Annual Informational Filing ("AIF") with the State Corporation Commission ("SCC"). Pursuant to Paragraph 20 of the SCC's Modified Plan for Alternative Regulation of Virginia Local Exchange Telephone Companies ("Plan"), the SCC must determine whether the rates collected during the year 1994 should be made permanent. Such determination would absolve Contel from any further obligation to make refunds for the year 1994.

Paragraph 20 of the Plan made the rates of Contel interim for the year 1994 and subject to refund if Contel's return on equity for that year should exceed a range of 10.55% to 12.55%. The SCC Staff filed a Report on the AIF indicating that Contel's return on equity for 1994 was 10.67%.

Any person desiring to comment or request a hearing on Contel's AIF or Staff's Report may do so by filing such comments or requests for hearing with Joel H. Peck, Clerk of the

Commission, c/o Document Control Center, P.O.
Box 2118, Richmond, Virginia 23218, on or
before September 15, 1999. Any such filing
should refer to Case No. PUC950010.

GTE SOUTH INCORPORATED

(4) The Company shall file proof of publication of the
notice directed above on or before September 15, 1999.

(5) Contel shall serve a copy of this Order on the chair
of the board of supervisors of any county and upon the mayor or
manager of any county, city, or town (or upon equivalent
officials in counties, towns, and cities having alternate forms
of government) lying within Contel's service area. Service
shall be by first-class mail or delivery to the customary place
of business or residence of the person served.

(6) This Case is now continued generally.